

State of Rhode Island Revenue Brief

FY 2006 Cash Collections through October 2005

Beginning in FY 2004, the State of Rhode Island Budget Office presented a more comprehensive assessment of fiscal year-to-date revenue collections. In particular, the Revenue Brief now contains information on the Other General Revenue Sources. These sources include the Gas Tax Transfer, Other Miscellaneous Revenues, the Lottery Transfer, and the Unclaimed Property remittance.

Users of the report should be cautious when comparing year-to-date growth rates to the revised growth estimate for Other Miscellaneous Revenues and Unclaimed Property as the receipt of these revenues is not continuous. That is, for these two general revenue categories, payments are received at discrete points in time over the course of a fiscal year. Further complicating matters is the fact that the discrete pattern of receipts varies so that payments received do not necessarily occur at the same point in time in each fiscal year.

Total General Revenues

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	5.4 %	0.8 %	2.0 %

Fiscal Year 2006 total general revenues collected through October 2005 have increased by 0.8 percent as compared to Fiscal Year 2005 total general revenues. For the fiscal year-to-date period ending October 2005, total general revenues were \$859.1 million as compared to \$852.4 million for the same period last year, an increase of \$6.7 million. Due to various causes, which are detailed below, adjustments need to be made to the fiscal year-to-date data for both FY 2005 and FY 2006.

In FY 2005, motor vehicle license and registration revenues were understated by \$2.3 million due to the late posting of interstate trucking payments made to the forty-nine other states and Canada. Until FY 2005, this posting was made in June of the fiscal year. Beginning in FY 2005, this posting was not completed until July of the following fiscal year. Also in FY 2005, the cigarette tax included \$4.7 million of cigarette floor stock tax through October that was not repeated in FY 2006. The floor stock tax is collected on cigarette packs held as inventory on July 1 at 12:01 a.m. following an enacted cigarette tax increase. The cigarette tax was increased to \$2.46 per pack for FY 2005. Further, there was a lag in implementing the change in the General Fund's share of the motor fuel tax, resulting in an overstatement of \$637,811 in July 2004 that was corrected in May 2005. The gas tax transfer to the General Fund decreased from \$0.032 per gallon that was allocated in FY 2004 for May and June to \$0.02 of the State's \$0.30 per gallon motor fuel tax beginning in FY 2005.

In FY 2006, the pattern of posting interstate trucking payments late continued, resulting in FY 2006 motor vehicle license and fees again being understated by \$2.3 million. Taxes on insurance companies are understated by \$442,445 due to the August 2005 transfer of FY 2005 retaliatory fees. For the previous nine fiscal years, this transfer was made in June. As a result, this transfer is reflected as a reduction of insurance companies revenues in fiscal year-to-date 2006. Also in

FY 2006, the motor fuel tax is overstated by \$974,102 as a result of the Division of Taxation filing a proof of claim in a bankruptcy proceeding in FY 2005. This revenue has been accrued back to FY 2005 but shows as positive revenue in FY 2006. Further, the indirect cost recovery transfer rate applied to restricted receipts, which are recorded as general revenues, increased from 7.0 percent to 10.0 percent on April 1, 2005, a conversion in fiscal year-to-date revenues is required to make FY 2005 and FY 2006 comparable.

It should be noted that the General Assembly enacted a change in the gas tax transfer in the FY 2006 budget. In particular, \$0.01 of the state's \$0.30 per gallon excise tax on motor fuel was redistributed from the general fund to the Rhode Island Public Transit Authority. The transfer rate to the general fund was \$0.02 of the \$0.30 per gallon gas tax in the first four months of FY 2005. In the first four months of FY 2006, the motor fuel transfer rate to the general fund is \$0.01 of the \$0.30 per gallon motor fuel tax. Further, the General Assembly enacted in the FY 2006 budget an increase in the tax on other tobacco products from 30.0 percent of the wholesale price to 40.0 percent as of July 1, 2005.

Finally, two former sources of general revenue have been reclassified as restricted receipts. The General Assembly converted the pharmaceutical rebates received by the Department of Elderly Affairs from the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program from general revenue to a restricted receipt effective July 1, 2005. Thus, FY 2006 miscellaneous departmental revenues no longer contain these rebate revenues and an adjustment must be made to render FY 2006 collections comparable to FY 2005 collections. In the year-to-date FY 2006 period, these RIPAE rebates have totaled \$441,417. As noted in June's *State of Rhode Island Revenue Brief Special Report on Preliminary FY 2005 Revenues*, the Rhode Island Auditor General (RIAG) determined that the State's treatment of the local match for Early and Periodic Screening, Diagnosis and Treatment (EPSDT) services for special needs students as a state revenue is incorrect. EPSDT services are considered Medicaid eligible services and require state and/or local monies as a match for federal payments. The Medicaid financing split is approximately 55.0 percent federal and 45.0 percent state or local. Currently, the federal government's portion of such expenses is a reimbursement to the local education agency for special needs expenses already incurred. The federal monies are passed through by the state from the federal government to the local education agency and thus the local match is not truly revenue to the state. Last fiscal year, \$3.9 million of EPSDT services local match reimbursements had been received through October.

Accounting for these adjustments yields an adjusted rate of growth for the fiscal year-to-date period through October 2005 of 2.0 percent. It should be noted that the adjusted year-to-date growth rate is not necessarily indicative of the projected annual growth. The FY 2006 preliminary growth estimate is an increase of 5.4 percent in total enacted FY 2006 general revenues over preliminary FY 2005 collections.

Taxes and Departmental Receipts

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	5.2 %	1.2 %	2.3 %

FY 2006 taxes and departmental receipts collected through October 2005 have increased by 1.2 percent as compared to FY 2005 collections for the comparable period a year ago. For the fiscal year-to-date period ending October 2005, total taxes and departmental receipts were \$780.0 million as compared to \$770.8 million for the same period last fiscal year, an increase of \$9.2 million.

Several factors contribute to a net increase in taxes and departmental receipts in FY 2006 including the insurance companies retaliatory fee transfer, smokeless tobacco tax rate increase, and the late motor vehicle licenses and fees' interstate trucking payments. These, in addition to the one-time "proof of claim" receipt for a bankruptcy proceeding in the motor fuel tax increase taxes and departmental receipts on an adjusted basis by an additional \$838,267 in FY 2006. The late posting of motor vehicle licenses and fees' interstate trucking payments in July 2004, the non-recurrence of cigarette floor stock tax, and the recategorization of pharmaceutical rebates and the EPSDT from general revenue to restricted receipts decrease FY 2005 taxes and departmental receipts on an adjusted basis by \$4.8 million. Accounting for these modifications yields a FY 2006 adjusted growth rate in taxes and departmental receipts of 2.3 percent. The FY 2006 preliminary growth estimate projects an increase of 5.2 percent in enacted total taxes and departmental receipts over preliminary actual FY 2005 collections.

Other General Revenue Sources

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	6.7 %	-3.1 %	-0.3 %

FY 2006 other general revenue sources collected through the first four months of FY 2006 have decreased by 3.1 percent as compared to collections through the first four months of Fiscal Year 2005. For the fiscal year-to-date period ending October 2005, total other general revenue sources were \$79.1 million as compared to \$81.6 million for the same period last year, a decrease of \$2.5 million. It is important to note that the General Assembly decreased the general fund's share of the \$0.30 per gallon motor fuel tax to \$0.01 from \$0.02 beginning in July of FY 2006.

Accounting for the decrease in the general fund's share of the gas tax transfer adjusted FY 2006 other general revenue sources by \$1.6 million. Also, correcting for the \$637,811 overpayment in the July 2004 gas tax transfer to the general fund yields adjusted FY 2006 growth for other general revenue sources of -0.3 percent. The enacted FY 2006 growth rate over preliminary FY 2005 collections for other general revenue sources projects an increase of 6.7 percent, with much of this increase due to higher projected lottery revenues.

Total Taxes

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	3.9 %	1.4 %	1.9 %

Total tax revenues for the fiscal year-to-date period through October 2005 were \$725.6 million or 1.4 percent more than the \$715.6 million in total taxes collected in FY 2005 through October

2004. Listed below are the modifications that must be made to determine the adjusted growth rate for total taxes.

In FY 2005, \$2.3 million in motor vehicle license and fee revenues were not reflected due to the late payment of FY 2004 interstate trucking fees. As a result of the cigarette tax increase from FY 2004, \$4.7 million of cigarette floor stock tax was collected in FY 2005 and did not repeat in FY 2006. In FY 2006, motor vehicle license and fee revenues are underreported by \$2.3 million as a result of the late payment of FY 2005 interstate trucking fees. Also, in FY 2006, insurance companies gross premiums taxes are understated by \$442,445 due to the late transfer of FY 2005 retaliatory fees. A \$974,102 accrual was made back to FY 2005 in motor carrier fuel use revenues due to a bankruptcy proceeding. Finally, the tax on smokeless tobacco products increased by 10 percentage points on July 1, 2005.

These modifications yield an adjusted growth rate 1.9 percent in total taxes. The FY 2006 growth estimate for total tax collections is 3.9 percent for enacted FY 2006 tax collections over preliminary FY 2005.

Personal Income Taxes

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	5.6 %	-1.0 %	-1.0 %

Actual personal income tax collections for FY 2006 through October 2005 are down \$2.9 million, or 1.0 percent, compared to the same period last fiscal year. The FY 2006 fiscal year-to-date growth rate falls below the FY 2006 enacted growth rate of 5.6 percent over preliminary FY 2005 personal income tax collections.

Income tax withholding payments have increased by \$1.3 million, or 0.5 percent, through the first four months of FY 2006 when compared to the same period in FY 2005. The 0.5 percent actual growth in cash withholding payments between FY 2006 and FY 2005 is an improvement over September's fiscal year-to-date growth of -1.5 percent but remains less than the preliminary cash growth rate for income tax withholding payments of 6.4 percent. The low growth in income tax withholding payments received is of concern since on average, over the past five fiscal years, 30.5 percent of income tax withholding payments are collected in the first four months of the fiscal year.

FY 2006 year-to-date income tax refunds paid are greater by \$15.9 million, or 114.1 percent, compared to the same period in FY 2005. Part of this sharp increase is due to a delay in the processing of tax year 2004 refunds which were not finalized until FY 2006. The 114.1 percent actual growth in cash income tax refunds paid between FY 2006 and FY 2005 is substantially greater than the enacted cash growth rate for income tax refunds paid of 1.5 percent. Still, in spite of this surge in income tax refunds paid, on average over the last five fiscal years only 9.2 percent of total income tax refunds are paid through October of the fiscal year.

There has also been an increase in final income tax payments received. Fiscal year-to-date final income tax payments are up \$7.2 million, or 48.4 percent, through October of FY 2006 as

compared to final payments for the first four months of FY 2005. The 48.4 percent actual growth in cash final income tax payments received between FY 2006 and FY 2005 is substantially greater than the enacted cash growth rate for final income tax payments received of 0.3 percent. Despite this sizeable difference in growth rates, the increase in final income tax payments received is minor given that, on average over the last five fiscal years only 8.3 percent of total final income tax payments are received in the first four months of the fiscal year.

Finally, with respect to estimated income tax payments, year-to-date FY 2006 collections are up \$4.1 million from FY 2005 collections at this time last year. This increase translates into a fiscal year-to-date growth rate of 9.2 percent. The 9.2 percent actual growth in cash estimated income tax payments received between FY 2006 and FY 2005 is greater than the enacted cash growth rate for estimated income tax payments received of 4.6 percent. The growth in estimated income tax payments is positive and notable, as, on average over the last five fiscal years over a quarter of total estimated income tax payments are made by the end of October.

Sales and Use Taxes

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	4.7 %	2.9 %	2.9 %

Sales and use tax collections in FY 2006 are up \$8.6 million, or 2.9 percent, relative to last fiscal year at this time. As always, the monthly sales tax receipts reported here reflect the prior month's retail sales activity. For both FY 2005 and FY 2006, the state's sales tax rate is 7.0 percent.

On July 1, 2005 at 12:01 am, prepayment of the sales tax on retail cigarette sales was initiated. The sales and use tax now includes the prepaid sales tax receipts, yielding no difference between the actual and adjusted growth rate for Sales and Use tax collections. The 2.9 percent growth in sales and use tax revenues for fiscal year-to-date 2006 lags the enacted FY 2006 over preliminary FY 2005 sales and use tax collections growth rate of 4.7 percent.

According to the Division of Taxation, within the sales tax components, registry receipts were down 3.8 percent in the first four months of FY 2006 when compared to same period last fiscal year. Net sales tax receipts remitted directly to the Division of Taxation posted a gain of 4.3 percent during FY 2006's first four months versus the first four months of FY 2005. Providence Place Mall (PPM) sales tax receipts were again down 4.2 percent through October of FY 2006 versus the same period in FY 2005.

General Business Taxes

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	2.0 %	47.2 %	48.8 %

In general, it is not possible at this time to begin to discern patterns in this year's general business tax collections. Most general business taxes are paid in March and June of the fiscal year, with 40.0 percent of total tax liability due in March and 60.0 percent of total tax liability

due in June. The exceptions to this pattern are business corporations taxes and health care provider assessments. In the FY 2001 to FY 2005 period, an average of 16.1 percent of total business corporations taxes were collected by the end of October, down from 21.7 percent through September. This drop in the average proportion of taxes received is due to refunds of business corporation tax, many of which are frequently paid in October. The health care provider assessment collections flow more evenly into the general fund over the course of the fiscal year, with a five-year average percent of total collections of 30.0 percent for the first four months of the fiscal year.

Total general business taxes collected in the fiscal year-to-date October 2005 period were \$40.3 million or \$12.9 million more than the \$27.4 million collected for the same period in FY 2005. Year-to-date growth in FY 2006 is 47.2 percent. In August of FY 2006, a debit of \$442,445 was made in insurance companies taxes to pay for FY 2005 retaliatory fees, requiring an adjustment to general business taxes. As a result, adjusted FY 2006 growth in general business taxes is 48.8 percent. The enacted growth estimate for FY 2006 is 2.0 percent over FY 2005 preliminary actual collections.

FY 2006 year-to-date business corporations taxes are up \$7.1 million, or 56.3 percent, from last fiscal year at this time, a significant improvement over FY 2005 through October 2004. Health care provider assessment taxes through October 2005 were \$15.4 million, a decrease of 1.2 percent through the same period in FY 2005. No bank deposit taxes have been received through the first four months of FY 2006, compared to \$64,198 through October 2004. They tend to post irregularly until March, when the first 40.0 percent of total tax liability is due.

Public utilities gross earnings taxes are up 1,989.2 percent. In September, a public utilities gross earnings tax filer paid \$5.0 million in taxes in order to meet “safe harbor” provisions for its tax year 2005 estimated liability. In calendar year 2004, the public utility’s gross earnings liability was \$29.3 million. In March 2005, an estimated payment of \$10.4 million was made and in June 2004 another estimated payment of \$14.0 million was made. In order to meet the “safe harbor,” the public utility paid an additional \$5.0 million in September 2005. Although this \$5.0 million is related to Fiscal Year 2005, it will not be accrued back as it is an unusually late payment rather than an erroneous payment.

In contrast, the insurance companies tax is down 74.4 percent year-to-date. This decline is primarily due to the late transfer of \$442,445 in retaliatory fees claimed on insurance companies taxes collected for the 2004 calendar year. These fees should have been posted in FY 2005 when the insurance companies’ tax returns were collected. Instead, the retaliatory fees were transferred late, during FY 2006, creating an understatement in year-to-date collections through October 2005. Adjusting for the late transfer results in a growth rate of positive 21.5 percent through October 2005. Finally, financial institutions taxes were down 94.1 percent through October 2005 compared to the same period last fiscal year.

Excise Taxes Other Than the Sales and Use Tax

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	-4.1 %	-7.3 %	-2.1 %

Excise taxes other than sales and use taxes collected in the fiscal year-to-date October 2005 period totaled \$61.6 million or \$4.9 million less than the \$66.5 million collected for the same period in FY 2005. Motor vehicle receipts were understated by \$2.3 million for July 2004 due to a delay in the posting of June 2004 interstate trucking payments by the Division of Motor Vehicles. In FY 2006, June 2005 interstate trucking payments were again made in July causing an understatement in July 2005 motor vehicle license and fee revenues for the second straight year. Additionally, in FY 2006, motor fuel receipts are higher by \$974,102 as the result of a “proof of claim” payment made to the State in a FY 2005 bankruptcy proceeding. Further, in FY 2005 the State raised its cigarette excise tax from \$1.71 to \$2.46 per pack of 20 cigarettes. This tax increase generated approximately \$4.7 million in cigarette floor stock tax revenues in through October of FY 2005. No such payments are expected in FY 2006. Finally, the enacted 33.3 percent increase in the tax rate on smokeless tobacco products adds \$216,202 to cigarette tax revenues in FY 2006. Adjusting for the above postings yields an adjusted growth rate of -2.1 percent in excise taxes other than the sales and use tax.

Rhode Island cigarette tax receipts are comprised of excise taxes collected on the sale of cigarettes, which also includes cigars and pipe tobacco, smokeless tobacco, and a one-time cigarette floor stock tax. The cigarette floor stock tax is imposed only when there is an increase in the excise tax on cigarettes. In FY 2005, the cigarette excise tax was increased by \$0.75 per pack of 20 cigarettes. In FY 2006, no increase in the cigarette excise tax was passed into law and, as a result, no cigarette floor stock tax revenues are expected for this fiscal year. Although there was no change in the excise tax rate on cigarettes from FY 2005 to FY 2006, the smokeless tobacco tax rate was increased from 30.0 percent to 40.0 percent of the wholesale cost of the smokeless tobacco product on July 1, 2005. After adjusting for the smokeless tobacco tax rate increase of 10.0 percentage points, total cigarette tax receipts for the first four months of FY 2006 are down 4.0 percent compared to the same period a year ago. The FY 2006 rate of growth in total cigarette tax receipts is -7.4 percent over preliminary FY 2005 cigarette tax collections.

Finally, the change in cigarette consumption is determined. First, the value of the cigarette floor stock tax and smokeless tobacco products tax is netted out of the data. The result is a decrease in Rhode Island cigarette consumption of 3.6 percent for the first four months of FY 2006 versus the first four months of FY 2005.

Other Taxes

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	-1.5%	-18.0 %	-18.0 %

Total other taxes collected through October of FY 2006 totaled \$17.4 million versus \$21.3 million in other taxes collected during the same period last fiscal year, a decrease of \$3.9 million, or 18.0 percent. Inheritance tax collections totaled \$10.3 million through the fourth month of FY 2006, 28.5 percent below the \$14.4 million collected through the fourth month of FY 2005. Given the fact that inheritance tax collections are volatile, it is not possible to make any valid comments about this revenue source. Racing and athletics tax collections through October of FY 2006 are down 16.1 percent relative to the same period in FY 2005. Realty transfer taxes are up

by 9.6 percent through October of FY 2006 versus October of FY 2005. This strong but decelerating increase in Rhode Island may reflect the foretold moderating of the State's housing market. The enacted FY 2006 total other taxes estimate over preliminary FY 2005 total other taxes is -1.5 percent.

Total Departmental Receipts

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	17.0 %	-1.4 %	6.8 %

FY 2006 year-to-date departmental receipts total \$54.4 million, a decrease of \$761,665 over the amount that was collected last fiscal year at this time. Actual departmental receipts for FY 2006 are down 1.4 percent when compared to receipts collected for the same period a year ago. The enacted FY 2006 growth rate is 17.0 percent over preliminary FY 2005 departmental receipt collections. As noted in the *State of Rhode Island Revenue Brief FY 2006 Cash Collections through September 2005* report, the increase in this growth rate is primarily due to the use of preliminary actual FY 2005 revenues that were made available from the Department of Accounts and Controls in September 2005. Furthermore, as noted in the June 2005 *Special Report on Preliminary FY 2005 Revenues*, the enacted FY 2005 departmental revenues estimate included \$22.3 million of special education services local match revenues that have since been recategorized by the Auditor General as restricted receipts rather than general revenue. Therefore, the FY 2006 preliminary growth estimate may overstate expected departmental revenue growth.

In FY 2005, the Judiciary did not post its revenues to the appropriate accounts in the state accounting system in August, September, and October resulting in a one-month lag and therefore an understatement of an unknown amount of fines and penalties revenues for the first four months of FY 2005. To date in FY 2006, the Judiciary has continued to fail to post its revenues to the appropriate accounts in the state accounting system in a timely manner. This time, however, Judiciary revenues through September 2005 have been deposited in October 2005. The result is an understatement of approximately \$1.9 million in fines and penalties revenues for the first four months of FY 2006 as well as an undetermined amount for the first four months of FY 2005. These late postings cause a lack of reliability in the calculations of departmental receipts by an unknown amount and undermine the integrity of the related growth estimates. On average, from FY 2001 to FY 2005, fines and penalties comprise 12.0 percent of total year-end departmental receipts.

Further, in June 2005, the General Assembly recategorized the pharmaceutical rebates received under the RIPAE program as restricted revenues effective July 1, 2005. Thus, these rebates are no longer being posted as general revenues in FY 2006 even though they were posted as such in FY 2005. Similarly, the Auditor General determined that the revenues from the local match for EPSDT should no longer be recorded as general revenues. As such, these reimbursements are now recorded as restricted receipts. In FY 2005 through October, \$3.9 million of general revenues were recorded for EPSDT reimbursements. Finally, the General Assembly increased the rate of transfer for indirect cost recovery from 7.0 to 10.0 percent. Adjusting for recategorization of RIPAE pharmaceutical rebates, the receipt of EPSDT monies in FY 2005,

and indirect cost recovery rates yields an adjusted growth rate of 6.8 percent for FY 2006 departmental receipts.

Within the total departmental receipt components, licenses and fees are down \$185,462, or 0.6 percent, through October of FY 2006 versus October of FY 2005. Fines and penalties are up \$2.4 million through the fourth month of FY 2006 versus the fourth month of FY 2005. Sales and services revenues are up \$244,149, or 5.5 percent, between October of FY 2006 and the same period last fiscal year. Finally, miscellaneous departmental revenues are down \$3.3 million, or 27.5 percent, through the fourth month of FY 2006 versus the fourth month of FY 2005. This drop in miscellaneous departmental revenues is primarily the result of the reclassification of EPSDT and RIPAE pharmaceutical rebates in FY 2006, the total of which was \$4.8 million in FY 2005. For the purpose of comparison, an additional adjustment must be made to FY 2006 miscellaneous departmental revenues due to the increase in the rate of transfer to the General Fund for indirect cost recovery, from 7.0 percent in FY 2005 to 10.0 percent in FY 2006. The resulting adjusted growth rate for miscellaneous departmental revenues through October 2005 is 12.9 percent over the same period last fiscal year.

Gas Tax Transfer

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	-47.2 %	-57.5 %	1.6 %

The gas tax transfer is down 57.5 percent for FY 2006 when compared to FY 2005. The enacted growth rate estimate for the gas tax transfer is -47.2 percent over the preliminary FY 2005 transfer. The majority of this decrease in the growth rate of the gas tax transfer on a fiscal year-over-fiscal year basis is due to a decrease in the allocation of the State's \$0.30 per gallon motor fuel tax that is devoted to the general fund. In FY 2006, \$0.01 per gallon was allocated to the general fund compared to \$0.02 per gallon in FY 2005. In addition, there was an overstatement of \$637,811 in July 2004 that was not corrected until May 2005. This overstatement was due to the temporary increase in the State's share of the motor fuel tax to \$0.032 per gallon for May and June 2004. This higher rate had been applied to April and May gas tax collections, which were received in May and June, but should have been applied to May and June gas tax collections received in June and July. Adjusting for these changes yields an adjusted rate of growth of 1.6 percent on a fiscal year-over-year basis.

Other Miscellaneous Revenues

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	-32.8 %	-73.8 %	-73.8 %

Other miscellaneous revenues are down 73.8 percent through October of FY 2006 when compared to the same period one year ago. FY 2006 year-to-date collections total \$127,974 compared to \$489,086 collected by this time last fiscal year. The enacted 2006 growth rate is -32.8 percent over preliminary actual FY 2005 collections. The actual year-to-date growth in other miscellaneous revenues is not a surprise given the lack of consistency in typical receipt patterns.

Lottery Transfer

	<u>Preliminary Estimate</u>	<u>Actual YTD</u>	<u>Adjusted YTD</u>
Growth Rates	14.0 %	0.1 %	0.1 %

The lottery transfer to the general fund through October of FY 2006 is flat compared to the October of FY 2005. At \$77.3 million for the first four months of FY 2006 and \$77.2 million for the first four months of FY 2005, the lottery transfer is below the preliminary growth estimate of 14.0 percent. There were no changes made to the distribution of video lottery net terminal income (NTI) in the FY 2006 budget. In the first four months of FY 2006, the State's share of video lottery NTI grew 3.2 percent versus the same period in FY 2005. This falls short of the enacted growth rate of 15.3 percent passed by the General Assembly on June 30, 2005. The transfer to the State general fund from instant and monitor games is down 8.2 percent for the first four months of FY 2006 versus the same period last fiscal year. The enacted FY 2006 growth rate estimate for instant and monitor games adopted by the General Assembly was 4.0 percent.

Rosemary Booth Gallogly, State Budget Officer
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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

October 2005 Revenue Report

(Fiscal Year 2006)

	FY 2005 YTD October	FY 2006 YTD October	Actual Growth	Preliminary Growth
Personal Income Tax	\$ 300,859,085	\$ 297,994,657	-1.0%	5.6%
General Business Taxes				
Business Corporations*	\$ 12,634,467	\$ 19,741,394	56.3%	-5.7%
Public Utilities Gross Earnings	\$ 246,592	\$ 5,151,871	1989.2%	4.2%
Financial Institutions	\$ (1,583,484)	\$ (94,089)	-94.1%	-106.8%
Insurance Companies	\$ 461,402	\$ 118,135	-74.4%	8.9%
Bank Deposits	\$ 64,198	\$ -	-	7.6%
Health Care Provider Assessment	\$ 15,552,576	\$ 15,366,594	-1.2%	5.3%
Excise Taxes				
Sales and Use	\$ 299,634,869	\$ 308,240,319	2.9%	4.7%
Motor Vehicle	\$ 11,380,042	\$ 12,388,358	8.9%	4.4%
Motor Fuel	\$ 288,629	\$ 985,519	241.4%	-49.5%
Cigarettes	\$ 50,894,754	\$ 44,577,536	-12.4%	-7.4%
Alcohol	\$ 3,918,222	\$ 3,695,222	-5.7%	8.2%
Controlled Substances	\$ -	\$ -	-	-
Other Taxes				
Inheritance and Gift	\$ 14,417,906	\$ 10,312,780	-28.5%	-3.9%
Racing and Athletics	\$ 1,453,013	\$ 1,218,938	-16.1%	0.7%
Realty Transfer	\$ 5,389,763	\$ 5,908,991	9.6%	3.3%
TOTAL TAXES	\$ 715,612,034	\$ 725,606,225	1.4%	3.9%
Departmental Receipts	\$ 31,396,953	\$ 31,211,491	-0.6%	
Licenses and Fees	\$ 7,511,690	\$ 9,952,762	32.5%	
Fines and Penalties	\$ 4,408,682	\$ 4,652,831	5.5%	
Sales and Services	\$ 11,863,537	\$ 8,602,113	-27.5%	
Miscellaneous				
TOTAL DEPARTMENTAL RECEIPTS	\$ 55,180,862	\$ 54,419,197	-1.4%	17.0%
TAXES AND DEPARTMENTALS	\$ 770,792,896	\$ 780,025,422	1.2%	5.2%
Other General Revenue Sources				
Gas Tax Transfer	\$ 3,893,617	\$ 1,654,576	-57.5%	-47.2%
Other Miscellaneous Revenues	\$ 489,086	\$ 127,974	-73.8%	-32.8%
Lottery Transfer	\$ 77,200,000	\$ 77,300,000	0.1%	14.0%
Unclaimed Property	\$ -	\$ -	-	
TOTAL OTHER SOURCES	\$ 81,582,703	\$ 79,082,550	-3.1%	6.7%
TOTAL GENERAL REVENUES	\$ 852,375,599	\$ 859,107,972	0.8%	5.4%

* Business Corporations tax includes both corporate income tax and franchise tax collections.